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The Friday Newsletter

No. 28

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July 13, 1984

GAO Reports on FS Below Cost Timber Sales in Western Regions

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YOU'VE UNDOUBTEDLY heard over the last several weeks about the issue of below cost timber sales. I'd like to share with you some findings and recommendations found in the General Accounting Office (GAO) report "Congress Needs Better Information on Forest Service's Below Cost Timber Sales" issued on June 28. The report discusses analyses of all advertised timber sales that we made in our four western regions in fiscal years 1981 and 1982.

Basic findings of the report were:

- * GAO's analysis of 3,244 timber sales showed that, overall, FS revenues exceeded its costs by \$712 million. Although the timber was sold at or above appraised value, 422 of the sales in 1981 and 677 of the sales in 1982 did not generate enough revenues to cover the FS's costs of making the sales.

- * An analysis of the factors contributing to below cost sales showed that such sales occurred more frequently in regions that had mostly low productivity timberlands, low sales values for predominant tree species, and relatively low volumes of timber sold. Review showed that generally these sales were in areas that had steep terrain and involved high road engineering and construction costs.

- * In the 3,244 sales analyzed, from 47 to 89 percent of total sale costs were incurred after the sale award.

- * A test of eight below cost sales found that the FS justification for selling timber below cost (to remove relatively low valued timber stands and replace them with higher valued timber stands) was not valid because on each test sale the net present value of the next stand of timber showed a loss.

GAO recommended that:

- * the Secretary of Agriculture require the Chief to develop a capacity to systematically determine the costs to sell timber for all NF timber sales and on a statistically valid basis compare these costs with the estimated value to be received from the sale.

- * the Congress require the Secretary to revise the annual reporting to the Congress on FS activities to include an estimate of the number and volume of timber sales sold below cost, the amount lost on these sales, and the justification on a summary basis for making such sales.

For further information, contact the Editor of the Friday Newsletter, Office of Information, WO.

**Information Program
Aimed at Below
Cost Timber Sales**

IN RESPONSE to some of the criticism aimed at below cost sales, we have prepared informational materials, which have been sent to the field. The materials include an issue paper, "The Role of 'Below Cost' Timber Sales in National Forest Management" and a series of questions and answers. In addition, a USDA Backgrounder will be issued.

This information is aimed at increasing understanding of national forest management and the role of the timber sale program. We're pointing out that our timber program, as a whole, is a money-maker, even though some individual sales may not be. But making money is not the sole purpose of national forest timber sales. We're emphasizing that the NFs also are managed for wildlife, water, grazing, recreation, and other values, that timber sales benefit many of these uses, and that the Forest Plan is the appropriate place to analyze the economics of the timber as well as other programs.

**Summer RF&D Meeting
Underway in Salt
Lake City**

WE'RE FINISHING up the Summer RF&D meeting in Salt Lake City this week. Some of the issues we're discussing are those that seem to draw much attention, such as the budget, worst case analysis, and below cost timber sales. More detailed information will be included in the next Friday Newsletter.

**Why Can't I Get My
Mailing Address
Changed?**

SEVERAL OF you have written to the editor of the Friday Newsletter with address changes and have found that your newsletters still are mailed to the old address. It's not because the change request was not made. The contractor responsible for the mailing list is in the midst of changing systems. Unfortunately, the mailing changes were put into the new system, which is not yet operating. Therefore, the Friday Newsletter is being mailed under the old system with the old labels. Until the new system is operating, your old addresses will be used. We hope the problem will be resolved shortly.

**Miss., Mont., Ga.
Wilderness Bills
Introduced**

IN BOTH the House and Senate, wilderness bills were introduced for Mississippi (S 2808, HR 5965) and Montana (S2850 and HR 6001). The Mississippi bill would designate 5,500 acres of wilderness. Legislation also was introduced for Georgia S 2773, which would designate 14,500 acres of wilderness.

Personnel Item

DAVID HESSEL was inadvertently demoted in the June 29 Friday Newsletter. He currently is Deputy Director of RPA, not Group Leader. He has been reassigned to Deputy Regional Forester, R-10.



Chief